THE

NOVA SCOTIA

Railway Syndicate,

(PLUNKETT, HOLMES & CO.)

EXAMINED AND EXPOSED,

BY

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THE NOVA SCOTIA RAILWAY SYNDICATE

Examined and Exposed.

THE serious and thoughtful attention of the people of Nova Scotia is directed to the following observations in connection with the scheme of railway consolidation and extension about to be submitted to the Provincial Legislature. It is no exaggeration to say that no more momentous question has arisen since Confederation. So fraught is the project with future disastrous results to the Province that its terms have been scrupulously concealed by Mr. Holmes and his associates, with the intention of springing it suddenly upon the country and rushing it so rapidly through the Legislature as to prevent any full examination or discussion, far less clear understanding, of its details and their consequences. Fortunately this purpose was defeated in some degree by the (premature?) publication of the agreement in one of the Halifax papers, and by the discussion which has since taken place in the press on the subject.

To a large extent this discussion has been influenced by party considerations,—to some extent by a failure on the part of the writers to grasp the full scope and consequent results of the measure,—and to some extent by what seems to be a deliberate desire to evade and obscure the important issues involved. These observations are, therefore, submitted with a view to place before the public a clear, temperate, and accurate statement of the effect and practical consequences of the proposed legislation. They are written with no political or personal bias, and with no object other than a sincere desire to rouse the Legislature and the public to the serious results that will inevitably follow if the scheme is permitted to become law. If, accordingly, individual names are introduced in the course of the review, it is the persons themselves,—their projects, practices and ability,—that are criticised, and not the political party with which they may be allied.

A few brief sentences are necessary to lead up to the point of which the contract to be considered is the outcome. When Mr. Holmes was in opposition he enunciated and advocated the policy of acquiring and completing the several Provincial Railways by the Government, and operating them by and for the behoof of the Province. He came into power backed by a majority

strong enough to carry almost any scheme he might propose but, whether the experience of office brought wisdom or not, nothing further was heard of this policy. Periodically, about the times of the meeting of the Legislature, mysterious paragraphs went the round of the papers as to some comprehensive railway policy that might be expected. Nothing resulted, however; but at the close of last session Mr. Holmes procured the passing of a Resolution, which authorised the Government to negotiate for the sale of the Provincial interests in the local railways, and for the completion and construction of additional railways, any contract to be so entered into to be subject to the approval of the Legislature. It is stated the Government received proposals from several parties for carrying out the purposes of this Resolution, one of which was accepted. It is more than doubtful if the Government will bring down the other proposals for the information of the House; and it is asserted on good authority that one gentleman examined the properties, at the request of Mr. Holmes, with a view to tendering, a considerable time after the agreement with the syndicate had been formally made and executed. From this it will be seen that Mr. Holmes *in office* deliberately abandoned the policy he advocated *out of office*, and is now to submit to the Legislature,—it would be mockery to say to the country—a scheme for the creation of—for Nova Scotia—a huge monopoly, which will be a thousand times more independent of Provincial control than the existing companies are.

1. *The Syndicate or Company.*—In a matter of such vital importance the first question that naturally arises is,—Who are the syndicate? and are they sufficiently responsible to carry out successfully the large projects they profess to undertake? The contract with the Canadian Pacific Syndicate was signed by a number of capitalists and bankers of undoubted standing and ability. The contract with the Nova Scotia Railway Syndicate is signed by E. W. Plunkett. There is vague reference made to "associates," and to a "company to be hereafter incorporated," but the general tenor of the agreement shows that Mr. Plunkett is, to all intents, the syndicate, company, and contractor. No one supposes that Mr. Plunkett personally can dispose of the millions that are so glibly talked of; and, in a matter dealing with even one-tenth of the amount he proposes to deal with, and in which the Province has a direct interest, the most careful guarantees should be insisted on. In this view it is no injustice to him to consider, and it would be a gross injustice to the Province not to consider, what light his antecedent experiences throw on the measure of success that is likely to attend his proposed present

undertaking. In 1876, in conjunction with "associates," he procured an Act of the Legislature incorporating a Company to construct the Halifax and Cape Breton Railway, which proved abortive. In 1875, in conjunction with another, he contracted to complete the Western Counties Railway by 1st May, 1877. In February, 1877, however, all work was suspended on that line, after he had, as Mr. Holmes states in a memorial to Sir Charles Tupper, dated 31st December, 1878, "*emptied the Treasury of Nova Scotia of all the monies appertaining to the work.*" Since that time he has been incessantly engaged in fruitless efforts to raise money to complete the line, and year after year special legislation has been passed, (nominally in the interests of the company but really in his,) with this object, all of which have failed with one significant exception, viz., that under which the Government guaranteed the interest on £55,000 to complete the Digby-Yarmouth section of the line. It is almost needless to say that the Government have had to pay the interest on this guarantee. The experience the Province has had so far of Mr. Plunkett and his schemes has been both mortifying and expensive, and such as is certainly no recommendation for entrusting him with new enterprises which promise to be far more disastrous than his old ones. It is clear that it is of the utmost importance to him to get the Western Counties Railway completed, so that his personal interests and obligations may be relieved. Having, hitherto failed, after repeated endeavors both here and in London, and although backed by liberal engagements on the part of both the Dominion and Local Governments in aid, he now expects to succeed by the present scheme. Mr. Holmes should recollect that he has had neither the training nor experience, leaving other qualifications out of view, to cope with scheming railway contractors and astute financiers, and it is not unlikely that Mr. Plunkett's success in his first guarantee transaction with Mr. Holmes emboldened him to launch this enormously wider and more daring scheme. Writing in December, 1878, Mr. Holmes said: "The causes of the unsatisfactory condition of these works are, first, "the want of capital by those who undertook their construction. "With regard to the first point I would remark that none of the "original parties who undertook these works appear to have had "any capital or means adequate to justify them in undertaking "them. The Western Counties Company, the original contractors, "after exhausting all their means and the subsidies they could "draw, handed over the contract to Messrs. Shanly and Plunkett, "who were believed to be eminent railway contractors. Messrs. "Shanly and Plunkett emptied the Treasury of Nova Scotia of

"all the monies appertaining to the work two years ago, and have "since been endeavoring in the money markets of Europe to raise "further funds to proceed with the work." It may be pertinent for the people of Nova Scotia to enquire, in the circumstances, what change has come o'er the spirit of Mr. Holmes's dream, that, in order to foist off upon the Province a scheme calculated to involve some $10,000,000, he has now entered into active confederacy with the very individual who for the past five years has been "endeavoring in the money markets of Europe to raise" a paltry $1,000,000 to complete the Western Counties Line? Comment seems unnecessary.

II. *What the Syndicate propose to do.*—Put in the most concise form the Syndicate undertake to do the following:—

1. To pay the Government the sum of $1,350,000 for the interests of the Province in the local railways.

2. Failing agreement with the Companies, to indemnify the Government for all costs and liabilities that may be incurred in compulsorily acquiring

The Windsor and Annapolis Railway.
The Western Counties Railway,
The Halifax and Cape Breton Railway, and
The Nictaux and Atlantic Railway.

3. To complete the Annapolis-Digby gap of Western Counties Railway.

4. To construct and equip the following new lines, provided the specified subsidies are secured to them, *and the Government requires them so to do.*

A Nictaux and Atlantic Railway, for subsidy of $300,000 and 150,000 acres of land.

B. Branch to Louisburg, for subsidy of 2000 acres of land per mile, and a lease of 25 square miles of mineral lands. If Government wish this line built the Syndicate to be notified by 1st March, 1882.

C. Pictou Town Branch.—Sufficient rails to lay line and sidings.

D. Dartmouth Branch.—The undertaking of town of Dartmouth to pay $4000 per annum for 20 years.

5. To pay to the Government out of the earnings of the railways the sum of $225,000 per annum in perpetuity, or until the same shall have been redeemed.

6. To pay also to the Government out of the earnings, or to deposit with the Government the capitalized value of, $56,000 per annum for 41 years, or say $1,000,000.

7. To deposit with the Government within two months of the date of the making of the contract the sum of £52,000 as security for the due fulfilment of the above obligations. It is understood that this amount was duly deposited.

III. *What the Government propose to do,—*

1. To give to the Syndicate for $1,350,000,

(a) The Pictou Branch, which cost about		$2,500,000
(b) The Windsor Branch,	"	1,500,000
(c) The interest of the Province, if any, in		
Windsor & Annapolis Ry., subsidized in cash		1,070,000
Western Counties Railway,	" "	700,000
Halifax and C. B. Railway,	" "	640,000
Nictaux and Atlantic Ry.,	" "	95,000
Actual cash expenditure by Province,		$6,505,000

2. To give, provided the Government decide to proceed with the construction of the new lines, the subsidies already enumerated, for lines A, B, C and D.

3. To acquire, under their assumed powers, and hand over to the Syndicate, if so required,

The Windsor and Annapolis Railway.
The Western Counties "
The Halifax and C. B. "
The Nictaux and Atlantic "

4. To pay the sum of $225,000 annually, in perpetuity, on the securities of the Syndicate, less such amount as may be redeemed by the operation of a contemplated sinking fund.

5. To procure from the Dominion Government, on behalf of the Syndicate, running powers over the Intercolonial Railway from Truro to Halifax, and to indemnify that Government against any damages for which they may be found liable under the pending litigation in connection with the Windsor Branch.

Divested of legal phrases and technicalities, the above represent the main features of the proposed scheme, which, as provided in the contract, *must be ratified in its entirety.* It must be admitted there is little lacking in the way of comprehensiveness; and, if it were possible to carry out completely and effectively its several conditions, it is assumed that not much objection would be taken. Whatever benefits the public would derive from consolidation, and the completion of the system would be secured, a sum of $1,350,000 would find its way into the depleted coffers of the

Treasury, and the prompt and regular payment by the Syndicate of the annual interest charge and sinking fund would entail no obligation, other than a nominal one, upon the Province. That all this is promised by the scheme, and that it will be assumed as certainly secured by its promoters, Messrs. Holmes, Plunkett and "associates," is very true. Whether the promises will be fulfilled, or whether there is other than the most shadowy and delusive security for their fulfilment, it is the purpose of this investigation to ascertain. The enquiry so far has certainly not been encouraging; and, in the light of the experience and expense that the chief manipulator of the project has already occasioned the Province, it is of the utmost importance that the contract should be rigidly scrutinized.

IV. The ability of the Syndicate to carry out the Contract.

In a matter of such importance another question that naturally arises is one as to the ability of the Syndicate, under the conditions and limitations applicable to the case, to raise sufficient funds to accomplish the objects in view. The capital of the "Company to be incorporated" is to be $10,000,000, of which the "usual proportion" shall be paid up. In the present case it is open to question whether the "usual proportion" to be paid up will not consist of paid-up shares of one of the Companies to be purchased out,—say, for instance, the Western Counties Railway Company,—being exchanged for paid-up shares of the new Company, and therefore really representing no cash assets whatever, although nominally complying with the contract. Leaving this out of view altogether, however, an examination of the agreement shows that the Government of Nova Scotia are to guarantee the payment of $225,000 per annum, in perpetuity, to the Syndicate, in security for which they are to receive a *first mortgage* on the whole railways and equipment. Therefore, under these limitations if they are rigidly adhered to, *the only actual money that will come to the Syndicate will be the proceeds of this guarantee.* It is possible that an annual perpetual subvention of the Province of Nova Scotia may sell in London to yield about 4 per cent. at par, in which case the guarantee of $225,000 per annum would give, say, $5,500,000. More than this, if indeed so much, would not be got. A larger nominal amount of stock might indeed be floated at a lower rate of interest, but it would not yield any more in actual cash because the discount at which it would be sold would equalise the net proceeds. Any capital in addition to this that the Syndicate may purport or promise to raise must of necessity be nominal, and on paper only, for this reason;—that powers are

reserved to the Government to foreclose and sell all the railways in the event of the $225,000 per annum guaranteed not being duly paid to them by the Syndicate. It is obvious that no sane investor will sink monies in railways in Nova Scotia on a *second* mortgage until it is first established, beyond peradventure, that the railways can earn the interest on the *first* mortgage. The experience of investors in Nova Scotian railways heretofore has been too discouraging, Government countenance and aid notwithstanding, to warrant any hope that this enterprise shall be more successful with *bona fide* capitalists, than those the same parties have been endeavoring to float for the past five years. It is admitted some additional capital may be eventually raised on the lands granted to the Companies and Syndicate.—which are not included in the first mortgage,—but the public of Nova Scotia know too well that the ungranted Crown Lands from which the selections are to be made, and which are now open for sale to the public at 44 cents an acre, are of so barren a character that this need not be taken into calculation.

With this available cash then of, say, $5,500,000, which is an outside estimate, *and which will have been raised wholly on the Provincial guarantee*, the Syndicate, by the contract, are bound to :

Pay the Provincial Government	$1,350,000
Purchase the Windsor and Annapolis Railway, say	1,500,000
" Western Counties Railway and retire bonds, say	1,768,000
" Halifax and Cape Breton Railway, say	900,000
" Nictaux and Atlantic Railway, "	250,000
Complete Western Counties Ry. and buy rolling stock	850,000
Repair Pictou Branch Ry. and buy rolling stock "	300,000
Amount required for existing Railways	$6,918,000
Complete Nictaux and Atlantic Railway, say	800,000
Construct Louisburg Branch, say	1,600,000
" Pictou Town Branch, say	300,000
" Dartmouth Branch ($4000 per ann. given) say	100,000
Total to pay Gov. and purchase and complete Rys.	$9,718,000
Add capitalized value of $56,000 per annum for forty-one years	1,000,000
Expenses of promoting and floating Co. commissions, &c.	250,000
Total capita necessary to be raised	$10,968,000

These figures show the actual cash expenditure which the Syndicate will require to make if they carry out the entire programme, as provided for in the contract. With one notable exception, to be hereafter referred to, they will bear the closest scrutiny, and will be found by competent and experienced railway authorities to be fair and reasonable estimates, rather under than over what will be really required to purchase, construct and equip, in accordance with the standard agreed upon, the series of railways embraced in the scheme. This being so, as is here broadly asserted without fear of contradiction by any competent authority, it is evident the Syndicate cannot possibly carry out the undertaking. With a first lien, such as is *professed* to be given to the Government, over the whole of the railways, the largest amount of actual cash that it is possible to raise is that represented by the value of the guarantee of $225,000 per annum,—say from $5,500,000 to $6,000,000. This amount will be found, by reference to the foregoing figures, to be inadequate to acquire, complete and equip the existing railways, and pay to the Province $1,350,000 for its supposed interests. Nothing whatever will remain for the construction of the proposed new lines, or for the vaunted deposit of about $1,000,000, to secure the payment of $56,000 annually on account of the *so-called* sinking fund.

A careful and candid examination of even this part of the scheme, without going a step further in the scrutiny, leads inevitably to the conclusion that it is only the intention of the Syndicate—which means really Mr. Plunkett and "his associates,"—to acquire the existing railways with the sole object of giving value to their worthless investments in the Western Counties Railway. It would not, of course, do to allow this to be suspected, hence the elaborate and complicated railway consolidation scheme. Anything more utterly delusive in the nature of a purchase of the Government railway interests it is difficult to imagine, since it simply means handing over to the Province $1,350,000, out of $5,500,000, which the Province is itself to raise by means of its guarantee—and making a gift of some $4,000,000 odd dollars to Mr. Plunkett, and his Syndicate. A brilliant financial success, truly!

V.—The Liability of the Province.—Far transcending in importance the question of the ability of the Syndicate to raise sufficient funds to complete the scheme mapped out is the question as to the security of the Province against liability under its perpetual guarantee of $225,000 per annum. Numerous statements, many of them more ingenious than true, have been

published with the view of making the Provincial liability appear nominal, or at most, trifling. Credit, for instance, is taken for an annual reduction of the amount guaranteed by $67,500, being interest on $1,350,000 to be paid to the Government. This would be fair enough if it were secured that the sum would remain intact on deposit at 5 per cent. during the continuance of the Syndicate guarantee. But has this in any way been provided for? On the contrary, does not the contract seem to provide that some $345,000 of the amount will have to be paid out in respect of the Nictaux and Atlantic Railway subsidy, *if that road is to be built.* Further, is it to be supposed that the exigencies of Nova Scotia Governments will permit the remaining $1,000,000 to lie at interest for any considerable length of time? Will it not be a fund to be used, in the same way as the Ottawa Debt Account has already been used and absorbed, as a convenient medium for raising temporary loans, which loans have an irresistible tendency to become permanent; and eventually, when a crisis arrives or a new Government comes into power, these loans are wiped off, and thus the $1,000,000 and the interest thereon will disappear?

Again, a great deal has been made of the sinking fund of $56,000 per annum which the Syndicate are to provide, and which it is agreed may be applied, if necessary, in reduction of the Provincial liability. If the Syndicate were to deposit $1,000,000, and the Government were to realize 5 per cent. thereon, this would undoubtedly form a fund which would admit of an annual payment of $56,000 for 41 years. But, *and this is to be particularly noted*, this capitalized sum of $1,000,000 was not to be deposited unless Mr. E. W. Plunkett received notice from the Government *within three months from the date of the Agreement*, or by 6th December last, calling upon him to do so. It may be pertinent to ask if this notice has been given?

But, even assuming the notice to have been given, it is quite obvious from the figures and statements submitted under head IV above, that the Syndicate cannot by any species of financial legerdemain, having regard to the conditions by which they are bound, find sufficient money to carry out the scheme in its entirety, far less find $1,000,000 in addition to help to pay the interest on its bonds.

The exact direct annual liability of the Province therefore is to be.....$225,000

Less interest on $1,000,000, so long as the same remains intact at Ottawa to the credit of the Province—it

being assumed that the Nictaux Railway will be built 50,000

Nett annual liability in perpetuity....$175,000

It is of course open to contention that the Province is already liable under the Windsor and Annapolis guarantee for $15,000 per annum for twenty years—and under the Western Counties guarantee for $13,000, in perpetuity—and also that the liability to the Nictaux and Atlantic line is incurred, though not paid, viz: $345,000—equal to $17,250 per annum, and that the Provincial liability should therefore be reduced by these amounts. Making allowance for all this, the liability of the Province would still be increased $130,000 per annum.

VI. Earnings of the Railways.—Having thus fixed the exact Provincial liability, the all-important question now falls to be considered:—Will the railways earn a nett revenue sufficient to enable the Syndicate to pay to the Government the sums of $225,000 and $56,000 annually?

The following is a careful estimate of the gross earnings of the railways, made from the most authentic data and information that can be procured,—

The Railways in operation are,—			
Windsor and Annapolis Ry,	130 miles,	$182,000	per last Report.
Western Counties Ry., ...	67 "	37,500	est. from Returns
Halifax and C. Breton Ry..	80 "	55,000	"
Pictou Branch	52 "	130,000	Estimate.
	329 miles	$404,500	
The Railways to be constructed are,			
Western Counties Ry.....	18 miles,	$ 12,000	estimate.
Nictaux and Atlantic Ry..	72 "	45,000	"
Pictou Town Branch	22 "	30,000	"
Dartmouth Branch	10 "	12,000	"
Louisburg Branch.....	80 "	40,000	"
Total..,.....	531 miles.	$543,500	

For the purposes of this investigation the mileage (18) and traffic ($12,000) of the uncompleted section of the Western Counties Railway may be included with the Lines in operation, and the figures would then stand,

Existing Railways.....	347 miles.	$416,500	earnings.
Projected Railways.....	184 "	127,000	"
	531 miles.	$543,500	"

The Syndicate are also to be permitted to exercise running powers over the Intercolonial Railway from Truro to Halifax, but the benefits to be derived from this concession are of more apparent than real money value, because it is stipulated by the Dominion that the terms are to be such as will yield the same percentage of revenue to the Intercolonial Railway as it would receive if it carried the traffic itself under ordinary traffic arrangements. It is also fair to accede that some, but by no means a large, accession of traffic may arise from the consolidation and continuous working of the lines. An average of 5 per cent. may be taken as an outside estimate under both of these heads, and this would bring the gross earnings of the completed Syndicate system up to $570,000 per annum.

That these estimates are not only fair, but that they are in excess of what will be netted by the system for years to come is asserted with confidence. Any person who has had practical experience of the *working* of these railways, as distinguished from the mere *building* of them, and who has any knowledge of the nature and capacities of the country they traverse, the traffic they carry, and the termini they reach, will unhesitatingly confirm this assertion.

The working expenses of a railway vary according to circumstances, dependent on its location, gradients, ferries, traffic, &c. A new railway with new equipment and rolling stock can for a few years be worked apparently much cheaper than an older line, by means of the postponement of renewal charges until renewals have been actually executed. There are no satisfactory data, except that furnished by the last published Report of the Windsor and Annapolis Company, on which to proceed in regard to the working expenses of these railways; but there are certain considerations and facts well known to railway men which will enable an approximately fair and just estimate to be made. Every one, whether a railway man or not, must know that there are certain fixed expenses incident to the operation of a railway, which must be met if the railway is to be worked at all, and which are entirely independent of the amount of traffic that may be carried. It will be enough merely to instance maintenance of way, running expenses, and charges for management, agents, clerks and employes. There is a minimum below which these cannot be reduced, and it is the universal experience that the tendency is to increase rather than otherwise.

By reference to the Railway Statistics for 1880 laid before the Dominion Parliament it will be found that the average annual charges for the working expenses of all the Canadian railways was

$2434 per mile. It is admitted, however, that this standard is too high to apply to railways here, inasmuch as the average includes Railways such as the Grand Trunk and Canada Southern which earn no less than from $5000 to $8000 per mile. Sir Charles Tupper, whose knowledge will not be questioned, and who accepted the Ministry of Railways as the avowed advocate of retrenchment, recently made the authoritative announcement in public that railways in this part of the country cannot be efficiently run and maintained at a less cost than $1500 per mile. The actual experience on the Intercolonial Railway for year ending June, 1880, was $1825 a mile. Taking, however, the lower estimate of $1500, it follows that it would cost $796,500 per annum to operate the Syndicate line as against a probable earning of $570,000, or a deficiency of what should be legitimate working expenses of no less than $226,500 per annum. It may be granted, however, that, inasmuch as the Intercolonial Railway is a great through route that commands, and will always command, a greatly larger business than the Syndicate lines, it will cost somewhat more per mile to operate it. It may, therefore, be considered a fairer basis of calculation to take the actual figures shown in the last Report of the Windsor & Annapolis Company,(and assuredly no on will suspect that Company of spending more than they can possibly help.) Their expenses for the one hundred and thirty miles operated between Halifax and Annapolis were $143,000 or $1100 a mile. Applying these figures, which are certainly low enough, and which in practice will be found too low consistently with such efficiency of service as the public have a right to expect, the result would be that the working expenses of the system would be $584,100, or a deficiency of $14,000 per annum!

Is it necessary to add anything further under this head? Is it not, indeed, only too apparent that, assuming the Syndicate to get over the difficulty of finding sufficient money to purchase and construct the lines, when the system is completed and consolidated it will not earn for many years to come one dollar of revenue to relieve the Province of its direct liability of $175,000 per annum, far less leave anything towards the so-called sinking fund?

In the face of facts and figures like these, which are confidently submitted as favorable estimates rather than otherwise, it is worse than absurd to hear it gravely announced, as was done the other morning in the *Herald*, that in the course of a few years the roads would earn a net revenue of $500,000 a year, which would pay all guarantees, and give a fair return on the capital besides.

VII.—Securities to be given by Syndicate.—Should the Syndicate fail by private arrangement to purchase the existing Companies, the Government binds itself to acquire the lines and hand them over to the Syndicate within three months after the ratification of the contract, the latter assuming the payment of any liabilities thus incurred by the Government, and giving security for the same. In another part of the contract it is found that the £52,000, (which itself is a portion of the $1,350,000 to be paid to the Province,) is to be the security to indemnify the Government in case of the Syndicate's failure to retire such liabilities. Should it occur, as is indeed more than probable judging from the other estimates on which the contract is based, that the amount required to purchase and extinguish the property and rights of existing Companies should largely exceed the estimates, and that in consequence of this the Syndicate would be unable to carry through the transaction, the Government would find itself in the position of having to procure the money to pay for the roads with only £52,000 in hand to help towards the completion or operation of them. Most people would think but lightly of such security.

It is further provided that the Syndicate are to give security for the construction and completion of the new lines, and on reference to the contract it will be seen that this same amount of £52,000 is made to do duty in this respect also. Now as the Syndicate are to pay the Government $1,350,000 for the interests of the Province in the existing lines it is perfectly obvious that the £52,000, which is part of this payment, is no security whatever for the construction of new lines, and they may be abandoned at any moment, either by the Syndicate or the Government, and no securities whatever be forfeited.

It is therefore clear that the contract as it now stands, which is all that the public know and can deal with, provides really no securities for the indemnification of the Government for liabilities that may be incurred in acquiring existing railways, or for forfeiture in the event of the Syndicate declining or failing to construct the new lines. It is true there are some vague phrases in the contract as to the Syndicate furnishing "such other security as the Governor-in-Council may require" for the fulfilment of their obligations, and the continuous operation of the roads. A little more information as to what these "other securities" really mean would enable the public to better judge as to the *bona fides* of both the Syndicate and the Government in this connection. Past experience as to the value of "other securities" has not been very satisfactory. Certain securities were professed to have been taken for the due completion of the Western Counties Rail-

way, but the country has yet to learn that anything has been recovered on them. The Government were required to take a first lien on that railway, and "also such other and further security as may be required by the Governor in Council" to protect a guarantee of so small a sum as £2,750 per annum on its bonds; but although this amount has been now in default for two years it does not appear that anything has been realized either on these "other securities" or on the first lien.

For the indemnification of the Government against liability in respect of such lines as they may have to acquire no security should be offered or accepted short of a cash deposit of the estimated amount that it will cost to purchase them. In that way, and in that way only, would the Government be sufficiently secured, in the event of its being found that the actual cost of purchase will largely exceed the Syndicate estimates, which is highly probable. And this would be no hardship to the Syndicate, as they would only be paying the money before the Government took action, instead of at the end of three months, by which time the acquisition of the lines must be completed, interest of course being allowed by the Government on the deposit.

Then, as to the construction of the new lines, if it be really the desire and intention of the Government and Syndicate to proceed with them, which looking at the tenor of the contract is more than doubtful, why is not some substantial security required? and why is not the same shown on the face of the agreement? Valid and negotiable securities bearing a just proportionate ratio to the estimated cost of each of the new lines should be insisted on. Judging by what the value of such "other securities" has been in the past, every precaution should be taken to make them real, binding and effectual for the future. It would appear that the guarantee of $225,000 has been arrived at on some definite basis of distribution of the estimated capital required to carry out the scheme, because it is provided that if the Louisburg Branch is abandoned the guarantee shall be reduced to $180,000 per annum. Now it is not more than just and reasonable that, if by means of the Government guarantee the Syndicate are enabled to raise a certain sum of money applicable to all the lines, the proportions applicable to the several new lines should be deposited with the Government and held in trust for their construction only. According to the contract the reduction from the guarantee, if the Louisburg Branch is abandoned, affords a basis for estimating the amounts to be raised under the guarantee for each new line. The amount is $11,250 per mile, which would give—

Louisburg Branch,	80 miles.....	$900,000
Nictaux & Atlantic,	72 "	810,000
Western Counties,	18 "	202,500
Pictou Town Branch,	22 "	247,500
Dartmouth Branch ($4000 per annum).		
		$2,160,000

What, therefore, the Government, or failing the Government, the country, should insist on is that the proportions of the money (say $5,500,000) raised on the Provincial guarantee, viz., $2,160,000, shall be deposited and held strictly in trust for the construction of the new lines, and shall not be dissipated for the acquisition of existing lines, or other purposes. Unless some such just and proper precaution is taken the people and counties interested in these new lines will find themselves victimized and their chances of securing railway extension indefinitely postponed. This is a matter of such importance that it should not be left merely for the Government to deal with, but ought to have been specified in the contract, and should be stringently stipulated for in any Acts that may be passed on the subject. If monies are raised on a Provincial guarantee for certain avowed objects, these monies should certainly be held by the Province in trust for the purpose, and paid out proportionately only when and as the objects are being accomplished. (See clause 16 of contract.)

VIII. Provincial Lien on Railways.—The contract provides that upon the handing over of the railways and the Provincial guarantee to the Syndicate they will execute a first mortgage, with power of sale, in name of trustees to be appointed jointly by the Government and the Syndicate, for the purpose of securing and enforcing the annual payments of $225,000 and $56,000, to the Government. There is a touching simplicity about a phrase twice occurring in the clause dealing with this matter. It is stipulated that the Government shall pay these respective amounts on account of the interest and sinking fund " when the same shall come to the hands of the Government," the inference being of course that if the amounts do not come to their hands they will not be called upon to pay. It is not expected there are many, if any, persons who will be imposed on by so transparent a ruse. The Province is to give an absolute guarantee of $225,000, and whether the money " comes to the hands of the Government " or not, it will have to be paid to the holders of the Syndicate bonds and securities. That

it will not come to their hands from the Syndicate is clear to demonstration. Accordingly, when default is made the Government will have to fall back on their first lien, and either operate the lines themselves, or sell them. Now, if the Government is to operate the railways they can only do so at a loss, and if they are to sell them they will only benefit to the extent of the interest upon the sum for which they may be disposed of. And for what amount would they sell? It will have been demonstrated beyond question that they cannot do more than, if as much as, earn working expenses, and who would then buy them at any figure? It has been stated that the rails and rolling stock if sold would bring enough money to cancel the Provincial liability, but it is forgotten that when railways are once built they cannot be torn to pieces and abandoned in this way, but must be operated in the public interests. The contract vaguely refers to some conditions to be made so as to provide for the continuous operation of the lines. This is a matter that should not be left to be disposed of in this slip-shod manner. Substantial securities should be taken for the operation of the lines, and this should appear in the contract and Act. The Dominion Government are to retain a sum of $5,000,000 of land grant bonds of the Canadian Pacific Railway to secure the operation of that line for ten years. Why is there not some similar tangible security taken for the operation of the Nova Scotia Lines? In this matter, as in the matter of the securities to be given by the Syndicate, the *Herald* generally vaunts the ability and acumen of the Attorney General, and enquires loftily if the interests of the Province may not be safely and confidently left in his hands. Every credit is given to the ability of Mr. Attorney-General Thompson, but in this connection it may be well to remember that no man can serve *two* masters—Mr. Thompson is, however, trying to serve *three*, as he is Attorney-General for the Province, Counsel for the Western Counties Railway Company, and Solicitor for the Syndicate.

The main features of this contract have now been analyzed, and such comments and calculations have been submitted as seemed necessary to elucidate and expose its scope and meaning. The comments are made in an entirely dispassionate manner, and the calculations, *in particular as to the cost of acquiring and constructing the railways, as to the gross earnings, and as to the working expenses,* are confidently submitted as unchallengable in the main. So startling are the results, and so pregnant with evil to the

people and the Province, that the term "bogus" which has been applied to this Syndicate is not half pertinent or illustrative. Conspiracy would be a more fitting term, and nearer the truth. It will, therefore, not be inappropriate to enquire as to the motives and agency by which this remarkable, and, if consummated, disastrous policy was originated. The answer is simple;—it originated in the necessities of Mr. Plunkett, and the vanity of Mr. Holmes, and has been elaborated, as to certain of its details, by more subtle brains than either possesses.

Mr. Holmes came into power avowedly, among other things, to place the railways on a sound footing. Some time afterwards he boldly announced and defended the questionable policy of taking advantage of the necessities of the Companies in order to force onerous terms upon them. Following up this policy he eventually succeeded in imposing terms as to purchase and as to the reversion of the Pictou Branch on the Halifax and Cape Breton Railway,—in securing a first lien on the Western Counties Railway,—in putting a stop to all progress on the Nictaux and Atlantic Railway because the persons interested in it would not accede to his conditions,—and in passing an Act which has been petitioned against by the Windsor and Annapolis Company purporting to give the Government power to take possession of that line upon 28 days notice. Having thus got matters so far ripe he was only too ready to fall in with any scheme that would enable him to pose before the country as a great statesman and financier. Mr. Plunkett, fertile of expedients,—all of them heretofore abortive, however,—propounded a scheme which would enable Mr. Holmes and the Government to go to the constituencies and boast that they had consolidated the railway system, had secured the payment of a large sum to the Province which would cancel its debt and relieve its necessities, and had provided for the construction of new railways in all directions, thus satisfying everybody all around.

Mr. Plunkett's necessities are no secret. The Western Counties Railway virtually belongs to him. For years he has been projecting schemes which would enable him to complete that line, and realize his interests therein. The present one may be taken as the gambler's last desperate throw. It does not seem to be too much to assert that the scheme has been concocted wholly in the interests of the Western Counties Company, and, as bearing on this view, reference is made to the sum estimated to be paid for that railway under head IV hereof. In this connection special importance attaches to the provisos of the contract which permits, and indeed

directly authorises, Mr. Plunkett, and "his associates" of the Syndicate, to make any arrangements they please for the purchase of the existing Railways, and it is only such companies as arrangements cannot be made with that are to be compulsorily taken possession of by the Government and handed over to the Syndicate. Bearing this in view, and bearing in view also that Mr. Plunkett may be said to really own the Western Counties Railway, the following figures, which are reproduced from the *Herald*, and may, therefore, be considered *inspired*, inasmuch as that paper is the advocate of the scheme, are of considerable interest, and help to throw a peculiar light on its character and the calculations of its promoters:

"To purchase the right, title and interest of the W. C. Railway	$ 500,000
"To pay off mortgage with Provincial guarantee, say	1,268,000
	$1,768,000
"Amount required to finish the W. C. Railway	750,000
"Rolling stock additional	100,000
	$2,618,000

The Western Counties Railway is thus estimated to cost the Syndicate to acquire and finish $2,618,000, in addition to which the money of the Province, to the tune of $700,000 has been sunk in it, bringing up the nominal value of this road to upwards of $3,300,000. In other words Mr. Plunkett's Railway,—which is now in default of interest on the Government first mortgage bonds of $268,000,—which runs through the most sterile and unproductive country imaginable for a railway,—and which cannot possibly for many a year to come earn its legitimate working expenses, is to be foisted off, nominally on the Syndicate, but practically on the Province, at this enormous price;—and it is to be done in this way. Availing himself of the option reserved in the contract to negotiate with the Companies, Mr. Plunkett and "his associates" of the Syndicate will wait upon Mr. Plunkett and "his associates" of the Western Counties Railway, and arrange for a friendly sale and transfer of the property. The ordinary paid-up shares of the Western Counties Company will be exchanged for $500,000 worth of ordinary paid-up shares of the Syndicate, and thus, without the payment of a dollar in cash or the acquisition of any real value whatever, the terms of the contract will have been ostensibly complied with, because the "*usual proportion*" of paid-up

capital will thereby appear to have been secured. This is a simple and harmless operation, however, because the ordinary shares of the Syndicate will in all probability be quite as worthless as the ordinary shares of the Western Counties Company. But it will be seen that the bonded debt of that Company, to the extent $1,268,000, is to be acquired by the Syndicate. Of this amount $268,000 represent the monies secured by the Provincial guarantee the interest on which is in default by the Company, and the remaining $1,000,000 represent the valueless bonds at present held by Mr. Plunkett and "his associates" of the Western Counties Railway. Now, by exchanging this $1,000,00 of mere waste paper securities for $1,000,000 of guaranteed Syndicate bonds, the actual cash required to be raised by the Syndicate is reduced by that amount nominally,—the valueless bonds of the Western Counties Company become valuable and negotiable securities endorsed by the Province of Nova Scotia,—and the Province will have thus virtually given to the promoters and speculators, who have been vainly endeavoring for the past twelve years to build 85 miles of railway, no less a sum than $2,818,000, made up as follows:

Provincial subsidy already paid.....	$ 700,000
Proceeds of Provincial guarantee of interest on £55,000	268,000
Value of Provincial guarantee on bonds, as above.....	1,000,000
Value of Provincial guarantee on bonds to be issued in order to complete the line.....	850,000
Total cost to the Province of W. C. Ry when completed.	$2,818,000

It can thus be seen how the money raised on the Provincial guarantee and left in the hands of the Syndicate (Mr. Plunkett) is to be spent, and the Province has no protection against this being done; nor any security that the whole amount ($4,150,000) shall not be used in buying up existing Railways, and not a dollar spent on Branch Lines, although it has been shown that over $2,000,000 of the amount legitimately belongs to them and should be deposited and held strictly in trust for their construction. Nor is there any means by which the Syndicate can be compelled to build any of the Branch Lines. Having in view that Mr. Holmes is a party to the scheme by which it is expected to consummate this enormity, considerable irony attaches to his utterance of three years ago about the "emptying of the Treasury of Nova Scotia" by Mr. Plunkett.

In view of these considerations, and in this light, it is very easy to understand how Mr. Plunkett and other W. C. bondholders in London, would readily combine to temporarily raise the required deposit of £52,000. If the scheme should succeed then their mere paper Western Counties bonds would become valuable and negotiable Syndicate bonds with a Provincial guarantee, and if it should not succeed the £52,000 would be repaid with interest from the date of deposit. Is it necessary to add another word under this head of the enquiry? Is it not only too evident that the whole scheme has been concocted in the interests, and, if successful, will only result to the benefit of Mr. Plunkett and the Western Counties Company? The question for the people of Nova Scotia, therefore, is, *are they willing to submit to* DIRECT TAXATION, (because this is really what a Provincial guarantee of $225,000 a year means,) for the questionable benefit to be derived from 18 additional miles of unprofitable railway (Digby to Annapolis), and for the purpose of converting the worthless securities of the Western Counties Railway into guaranteed Provincial bonds?

Much has been said, and much credit has been taken, for the benefits to be derived from consolidation and united management. These are very plausible phrases and carry with them a certain convincing air. Examination will dissipate much of this, however. Beginning with the railway system running eastward from Halifax, that is to say from Truro to the Strait of Canseau, it is asked what benefit will this district derive from the handing over of its railways to a monopolist corporation? Even with the added bait of a possible extension to Louisburg, the answer is, none,—but, on the contrary, a very serious loss. It is self-evident that the interests of these districts, especially Colchester and Pictou, will be better protected and better served by a strong Government railway like the Intercolonial than by any possible consolidation that may be effected of a mere Company's line. The main object of such a Company, and also of the Local Government, will be to enforce such charges as will best enable both of them to reduce to a minimum the loss to be incurred under the guaranteed preferential charge of $225,000 per annum.

Eastern System of Railways.—Had it not been for the talk about and promises made in connection with this Syndicate it is not too much to say that Pictou town by now would have had direct rail connection with the Intercolonial system—not by means

of a long diversion of from 20 to 26 miles to West River, but by a short branch of some 6 miles. The Intercolonial authorities, however, felt they would not be justified in incurring this expenditure in view of the line from Truro to Pictou passing from their control. Pictou, therefore, has so far lost instead of gained. Further, it is asserted that the Dominion authorities quite see that it will be a mistake to detach the Pictou Branch from the Intercolonial system, because, in the first place, it will allow the valuable Pictou coal fields to pass from their control, and in the second place it would be the alienation of an important link necessary to complete a national highway, shorter than any other, for travel to and from Europe. It is an open secret that, but for the untimely intervention of Messrs. Plunkett and Holmes with their syndicate scheme, another step in the contemplated programme would have been taken this year, and the Halifax and Cape Breton line would have been added to the Intercolonial Railway. Further extension, either to Louisburg or Whitehaven would be simply a question of time, and then steamers from either of these ports direct, or in connection with the Newfoundland railway, would complete the short national highway. The public of the Eastern Counties surely cannot be so blind to their own interests, present and prospective, not to see that the Syndicate scheme has put an end to the accomplishment of these objects for the present, and if successful, will indefinitely postpone them for the future.

Then as to fares and rates. Pictou and Colchester Counties have at present train accommodation equal to, and fares and rates quite as low as, the most favored district on this continent. It is therefore pointedly asked, in this connection, what benefits are they to derive from handing the line over to the Syndicate? No *Company* working the local lines, irrespective of other considerations, can afford to give the facilities, transit and low charges that a great line worked by a *Government* can.

As it is, the resources of the Intercolonial Railway are sometimes taxed to the utmost to accommodate the coal traffic from the mines. What could a *poor* Company's railway do, or be expected to do, in a like emergency. The word *poor* is here used advisedly and intentionally, because every Company's railway in Nova Scotia must of necessity be a poor one for many years to come; and, if the railways cannot earn enough to keep themselves, it is not of the slightest consequence how wealthy some of the individual proprietors may be, because they will not, in addition to allowing their original investment to lie

dormant, put their hands in their pockets periodically to make good the efficient working of the railway. This is a point which should, at this time, be very carefully considered by the several Coal Companies interested. Generally, it may be said, that it must be quite evident to everyone that the whole district of country from Canseau to Halifax has nothing to gain or expect, but much to lose and dread, from the transference of the railways to the proposed Syndicate.

Dartmouth Branch.—Included among the proposals of this Syndicate—astutely conceived so as to please everybody—is one for the construction of a branch line from Dartmouth to Windsor Junction, with the corresponding loop hole for conveniently abandoning it in the proviso that its construction is to be conditional on the Town of Dartmouth providing as subsidy a sum of $4000 a year for 20 years. Since the recent agitation on railway matters in that town, Dartmouth people have considerably cooled down, and are asking themselves if connection with the established railway system as far off as Windsor Junction, will be worth the $4000 a year they are asked to pay? Recent surveys have established that the Narrows at Richmond can be bridged for about $60,000, and $40,000 more will lay the rails into Dartmouth. It is obvious that this is the proper and natural way of securing railway connection for Dartmouth; and it should further be noted that the Government of Canada must necessarily effect such a connection at an early date for the accommodation of the Intercolonial traffic. In this way Dartmouth would get the benefit of all the advantages Halifax now has as regards rates and transit on a Government railway, and at a much less cost to them than $4000 a year.

Western System of Railways.—It is further asked what are the public of the district of country from Halifax to Annapolis to *gain* by the adoption of the syndicate scheme? And the answer is—nothing! but probably, and almost certainly, much to *lose*. Consolidation will no more benefit this district than it will the eastern; because, as a matter of fact, there is not, and will not be, any traffic worth taking into consideration between the two districts other than that of coal, and it is asserted that the rates on coal are now as low, if not lower, than they can be made under the Syndicate. It is further argued on behalf of the Syndicate scheme that traffic which is now being diverted in other directions, will, under the new arrangement, come to Halifax. Will rivers run up hill? It is as well to expect this as to expect that traffic, except at enormous sacrifices, will desert a cheaper and

nearer route for a dearer and longer one. Produce, the market for which is outside of Halifax, say in the United States or elsewhere, will inevitably find an outlet at the nearest seaport. For the productive counties of Kings and Annapolis, the town of Annapolis Royal is that natural outlet; and the projects of the Syndicate, if accomplished, would mean a serious blow to the commerce of that town, the collapse of the patriotic enterprize to establish direct steam communication with England and the United States, and the transfer of business, that might be more cheaply and conveniently done at Annapolis, to Yarmouth.

Nictaux and Atlantic Railway. — It seems to be clear from the ambiguous wording of the contract, and from other indications, that it is the intention and desire of both the Government and Syndicate to abandon this line. It is no secret that if that Company had received, not to say fair play, but the encouragement they had a right to expect from the Government, the railway from Middleton to Lunenburg would have been built and running by to-day. The Company have over and over again offered to the Government better terms than have been heretofore offered for the building of any line in the Province; but, because neither threats nor cajolements would induce them to accede to the arbitrary conditions sought to be imposed upon them by Mr. Holmes, the Government have designedly for the past two years and upwards obstructed and prevented the construction of this railway. Should it become part of the Syndicate scheme, as is ostensibly contemplated, it is asked how are either the Syndicate or the Government to acquire the rights of the present Company? It is well known they have no intention of parting with the property, and there is no honest or legitimate way in which they can be compelled to do so. Any attempt in that direction would lead to a litigation that might not be settled for years. However, this might afford a convenient pretext to the Government not to insist upon, and to the Syndicate to abandon, the construction of this line. But, assuming that the railway could be transferred to the Syndicate, in what way would the Counties interested benefit by such transfer? The answer is simple,—instead of benefiting, they would lose; because it is part of the present Company's scheme to open and work the valuable iron ore deposits of Nictaux in conjunction with the railway, a property which the Syndicate could not acquire. Therefore, it is safely asserted, that, if this district is ever to get a railway, and to have its capabilities fostered and developed by that means, it is certainly not through the agency of the proposed

Syndicate that it will be done. On the contrary, the intention is clear to abandon this line, first, because the Government do not wish to pay out the remaining $345,000 of subsidy, and second, because the Syndicate cannot raise funds sufficient to construct the line, and carry out the other parts of their programme.

There is another matter to which it may be well to direct public attention. It was casually announced some time ago that the usual formal notice had been given that application would be made to the Dominion Parliament, in its coming session, for an Act to incorporate the Nova Scotia Railway Company, and it is more than likely that little, if any, importance was attached to this. But, unless it is very carefully looked into and guarded against, this may be found to be of the most serious importance to the Province eventually, because it would have the effect of taking the Syndicate and the Syndicate lines, (either because they will have been declared to be "for the general benefit of Canada," or as "connecting two or more of the Provinces,") entirely out of the legislative control of the Provincial Government and Legislature. In this way the Nova Scotia Railway Act of 1880, and the Amendment Act of 1881 which was so carefully elaborated with a view to protect the public interests, as was supposed, will have become so much waste paper. The Syndicate will thus pass from the control of the Provincial Legislature, and its Railway Act, to the control of the Dominion Parliament, and the "Consolidated Railway Act 1879," and amendments. The latter Act provides that the tolls (that is, the fares and rates,) shall be approved by His Excellency the Governor-in-Council, and shall be subject to limitation and deduction from time to time, always provided that such reduction cannot be enforced so as to establish rates lower than will "produce ten per cent. per annum profit on the capital" expended in constructing any railway. Therefore, as it is perfectly obvious that as existing fares and rates are so low now that even working expenses cannot fairly be earned, the contemplated transference of the Syndicate lines from the control of the Local to that of the Dominion Legislature will enable the Syndicate, if necessary, (and it will be necessary) enormously to increase these, so as, if possible, to earn some surplus over working expenses. This must be clear to everyone; but, what is not so clear, or immediately apparent, is that Mr. Plunkett and "his associates" have schemed to get from Nova Scotia every possible aid, subsidy and concession, and, having secured this, intend by other legislation to take the railways out of Nova Scotian Legislative control. Will this be permitted?

It would be better and safer for the Province to take over the existing railways, and build the projected ones, and when they had been thus completed and consolidated, if it should be found unadvisable to retain them, to sell them for what they will bring, rather than proceed with a scheme which will certainly absorb more than $4,000,000 of the Provincial money, without any guarantee whatever for the completion of the railway system.

This Syndicate scheme has now been examined. It is for the people and their Representatives in either House, to decide whether it shall become law, and a perpetual burden upon themselves and their posterity, or be repudiated with that condign emphasis which it deserves. It has been proved by the examination beyond question.

1. That no actual cash can be raised by the Syndicate except upon the credit and direct obligation of the Province.

2. That what amount can be so raised will be inadequate to purchase and complete existing railways, and pay $1,350,000 to the Province, not speak of the $1,000,000 required for the Sinking Fund.

3. That, therefore, no surplus will remain with which to construct new lines.

4. That no proper securities have been taken to indemnify the Province for what liability it may incur in acquiring the existing railways, or to ensure the construction of new railways.

5. That the railways cannot possibly, for years to come, earn more than enough to barely meet their working expenses, and *no surplus will remain to protect or reduce* the Provincial guarantee of $225,000 per annum.

6. That the so-called sinking fund is a mere delusion; and that, even if it should have an existence, it will be applied to *revenue* or *interest* purposes and not to the *extinction of the Provincial liability.*

7. That consolidation of the railways would be of little or no advantage to the public at large, but, on the contrary, would be a disadvantage to the Eastern Counties in particular, and in any case will create a monopoly as to Fares and Rates which will be beyond Provincial control.

These conclusions are self-evident and irresistible,—equally self-evident and irresistible are the inferences to be drawn from them,—

1. That the credit of the Province is to be used and its revenues impledged for the purpose of raising some $5,500,000, only $1,350,000 of which is to find its way into the Treasury.

2. That the remaining $4,150,000 is to be presented to Mr. Plunkett and the Syndicate, which will enable them to buy from themselves, without any restriction as to price, the worthless securities of the Western Counties Railway Company, and convert them into valuable securities guaranteed by the Province.

3. That in order to effect this, a scheme of railway consolidation and extension that it is impossible to carry out, is dangled before the public eye, and

4. That Mr. Plunkett and his "associates" will be enabled to retire in the course of a year or so with their profits in their pockets, and leave the Province saddled with a *direct* liability of $225,000 a year, and a series of unprofitable railways on hand, the working of which will in all likelihood lead to a further *indirect* liability.

These facts are submitted to the intelligence of the people of Nova Scotia, and ought to be dealt with on their merits, and apart from political considerations.